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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/502,825	02/11/2000	Kiyoshi Miyazaki	1095.1120/JDH	5726

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STAAS & HALSEY LLP
SUITE 700
1201 NEW YORK AVENUE, N.W.
WASHINGTON, DC 20005

EXAMINER	
DASS, HARISH T	
ART UNIT	**PAPER NUMBER**
3693	

SHORTENED STATUTORY PERIOD OF RESPONSE	MAIL DATE	DELIVERY MODE
3 MONTHS	03/09/2007	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

If NO period for reply is specified above, the maximum statutory period will apply and will expire 6 MONTHS from the mailing date of this communication.

Attachment A

Requirement for Information Under 37 C.F.R. § 1.105

1. Applicant and the assignee of this application are required under 37 CFR 1.105 to provide the following information that the examiner has determined is reasonably necessary to the examination of this application.

2. In view of the nature of Applicant's assertions and submissions filed Dec, 21, 2006 (amendment and remarks), a question of public use under 35 U.S.C. 102(b) is raised.

Applicant has amended the independent claims and has added a limitation, which has elevated a need for this requirement.

3. The information is required to identify products and/or services embodying the disclosed subject matter of providing basis for amended limitation and remarks. The Examiner upon conducting a search for prior art, discovered the following articles relevant to the claims:

Article No. 1: See Attachments B & C (following pages).

Attachment B "KPMG Seminar Brings Clarity to FASB 133"

Attachment C "Derivatives Implementation Groups "Foreign Currency Hedge: Hedging Foreign Currency Denominated Interest Payments"

Article No. 2: Larsen et al.

Journal Of Financial And Strategic Decisions
Volume 9 Number 1 Spring 1996

HEDGING FOREIGN CURRENCY TRANSACTION EXPOSURE: THE IMPORTANCE OF REAL RATES OF INTEREST

Glen A. Larsen, Jr.* and Gary R. Freeman*

Abstract

Increasingly, U.S. firms are involved in global transactions which expose them to foreign currency fluctuations and potential adverse financial effects. Hedging forward exchange rates has become commonplace, but at a cost. Thus, information is needed by managers regarding forward exchange rates. Forward exchange rates are believed to contain two expectational components which vary through time: the expected premium, and the expected future spot exchange rate. Pooled time series analysis is employed in this study to empirically test a relationship which equates the expected premium to the difference in expected real interest rates for six major European Currency Unit (ECU) countries. The empirical tests confirm that differences in the level of expected real interest rates between the U.S. and the six major ECU countries over the study period are statistically equal to the expected forward premiums. The implication of this finding is that firms should use all available information on differences between real rates of interest when making forward hedge decisions.

Article No. 3: Asim Ghosh

"Cross-hedging foreign currency risk: Empirical evidence from an error correction model", Review of Quantitative Finance and Accounting, Springer Netherlands,

ISSN: 0924-865X (Print) 1573-7179 (Online)

Subject: Business and Economics, Issue: Volume 6, Number 3 / May, 1996

"Cross-hedging foreign currency risk: Empirical evidence from an error correction model"

Asim Ghosh, Department of Finance, Saint Joseph's University,

19131 Philadelphia, PA, USA

Abstract In this article, the traditional price change hedge ratio estimation method is extended by applying the theory of cointegration in the case of cross-hedging of spot exchange risk of the Belgian franc (BF), the Italian lira (IL), and the Dutch guilder (NG) with U.S. Dollar Index futures contracts. Previous studies ignore the last period's equilibrium error and short-run deviations. The findings of this study indicate that the hedge ratio estimated by the error correction method is superior to that obtained from the traditional method, as evidenced by the likelihood ratio test and out-of-sample forecasts. Hedgers will be able to control the risk of their portfolios more effectively at a lower cost.

The information is required to identify products and/or services embodying the disclosed subject matter of providing bases for evaluating present application,

In response to this requirement please provide any known Non-Patent Literatures (publications, papers, brochures, Chicago Board of Trade options/derivatives/hedging, liquidity & Foreign exchange (currency) options/hedging/swap contracts, related contracts, manual and press releases) that describes the moveable goods discloses in application and/or reference publication.

4. The fee and certification requirements of 37 CFR 1.97 are waived for those

documents submitted in reply to this requirement. This waiver extends only to those documents within the scope of the requirement under 37 CFR 1.105 that are included in the applicant's first complete communication responding to this requirement. Any supplemental replies subsequent to the first communication responding to this requirement and any information disclosures beyond the scope of this requirement under 37 CFR 1.105 are subject to the fee and certification requirements of 37 CFR 1.97 where appropriate.

5. In responding to those requirements that require copies of documents, where the document is a bound text or a single article over 50 pages, the requirement may be met by providing copies of those pages that provide the particular subject matter indicated in the requirement, or where such subject matter is not indicated, the subject matter found in applicant's disclosure.

6. The applicant is reminded that the reply to this requirement must be made with candor and good faith under 37 CFR 1.56. Where the applicant does not have or cannot readily obtain an item of required information, a statement that the item is unknown or cannot be readily obtained will be accepted as a complete reply to the requirement for that item.

7. This requirement is subject to the provisions of 37 CFR 1.134, 1.135 and 1.136 and has a shortened statutory period of 2 months. EXTENSIONS OF THIS TIME PERIOD

MAY BE GRANTED UNDER 37 CFR 1.136(a).

Attachment B

KPMG Seminar Brings Clarity to FASB 133.

From: PR Newswire | Date: October 1, 1998 | More results for: FASB 133 1998 hedge

PR Newswire

NEW YORK, Oct. 1 /PRNewswire/ -- KPMG Peat Marwick LLP will conduct a day- long briefing October 9 on **FASB** Statement No. **133**, Accounting for Derivative Financial Instruments and Hedging Activities, to familiarize senior financial executives with the Statement, discuss what will be required to implement it, and consider operational changes that may be needed.

"Statement No. **133** requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value," says KPMG's Enrique Tejerina, a partner in KPMG's department of professional practice and ...

Request For Support of added limitation

With response to this letter, Examiner request Applicant or Applicant's attorney to provide page of the specification, which discloses the added limitation.

Harish Dass

Dass, Harish 09/502,825

Attachment C

From: Saved by Windows Internet Explorer 7
Sent: Friday, March 02, 2007 7:44 AM
Subject: FASB: Foreign Currency Hedges: Hedging Foreign-Currency Denominated Interest Payments

FINANCIAL ACCOUNTING STANDARDS BOARD

Serving the investing public through transparent information resulting from high-quality financial reporting standards, developed in an independent, private-sector, open due process.

Derivatives Implementation Group

Statement 133 Implementation Issue No. H4

Title:	Foreign Currency Hedges: Hedging Foreign-Currency Denominated Interest Payments
Paragraph references:	21, 29, 37, 40, 540
Date cleared by Board:	July 28, 1999
Affected by:	FASB Statement No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities* **(Revised September 25, 2000)**

QUESTION

May a company treat foreign-currency-denominated fixed-rate interest coupon payments arising from an issuance of foreign-currency-denominated fixed rate debt as (a) an unrecognized firm commitment that may be designated as a hedged item in a foreign currency fair value hedge or (b) forecasted transactions that may be designated as hedged transactions in a foreign currency cash flow hedge?

BACKGROUND

A company whose functional currency is the U.S. dollar issues fixed-rate debt denominated in a foreign currency. The debt has a fixed interest coupon that is payable semi-annually in that foreign currency. The company wishes to lock in, in U.S. dollar functional currency terms, the future interest expense that will result from the debt and enters into a derivative instrument to hedge the foreign currency risk of the fixed foreign-currency-denominated interest coupon payments. For example, the company may enter into a foreign currency swap to receive an amount of the foreign currency required to satisfy the coupon obligation in exchange for U.S. dollars at each coupon date, or, alternatively, it may enter into a strip of foreign currency forward contracts that provide for receipt of an amount of foreign currency required to satisfy the interest coupon obligation in exchange for the payment of U.S. dollars at each coupon date.

Paragraph 37 of Statement 133 states:

> A derivative instrument or a nonderivative financial instrument that may give rise to a foreign currency transaction gain or loss under Statement 52 can be designated as hedging changes in the fair value of an

Attachment C

unrecognized firm commitment, or a specific portion thereof, attributable to foreign currency exchange rates. The designated hedging relationship qualifies for the accounting specified in paragraphs 22-27 if all the fair value hedge criteria in paragraphs 20 and 21 and the conditions in paragraphs 40(a) and 40(b) are met. [Footnote reference omitted.]

Paragraph 40 of Statement 133 states, in part:

A derivative instrument designated as hedging the foreign currency exposure to variability in the functional-currency-equivalent cash flows associated with a forecasted transaction..., a recognized asset or liability, an unrecognized firm commitment, or a forecasted intercompany transaction...qualifies for hedge accounting if all of the following criteria are met:

a. For consolidated financial statements, either (1) the operating unit that has the foreign currency exposure is a party to the hedging instrument or (2) another member of the consolidated group that has the same functional currency as that operating unit (subject to the restrictions in this subparagraph and related footnote) is a party to the hedging instrument. To qualify for applying the guidance in (2) above, there may be no intervening subsidiary with a different functional currency. (Refer to paragraphs 36, 40A, and 40B for conditions for which an intercompany foreign currency derivative can be the hedging instrument in a cash flow hedge of foreign exchange risk.) [Footnote reference omitted.]

b. The hedged transaction is denominated in a currency other than the hedging unit's functional currency.

c. All of the criteria in paragraphs 28 and 29 are met, except for the criterion in paragraph 29(c) that requires that the forecasted transaction be with a party external to the reporting entity.

d. If the hedged transaction is a group of individual forecasted foreign-currency-denominated transactions, a forecasted inflow of a foreign currency and a forecasted outflow of a foreign currency cannot both be included in the same group.

Paragraph 540 of Statement 133 includes the following definitions:

Firm commitment

An agreement with an unrelated party, binding on both parties and usually legally enforceable, with the following characteristics:

a. The agreement specifies all significant terms, including the quantity to be exchanged, the fixed price, and the timing of the transaction. The fixed price may be expressed as a specified amount of an entity's functional currency or of a foreign currency. It may also be expressed as a specified interest rate or

specified effective yield.

b. The agreement includes a disincentive for nonperformance that is sufficiently large to make performance probable.

Forecasted transaction

A transaction that is expected to occur for which there is no firm commitment. Because no transaction or event has yet occurred and the transaction or event when it occurs will be at the prevailing market price, a forecasted transaction does not give an entity any present rights to future benefits or a present obligation for future sacrifices.

RESPONSE

A company may not treat foreign-currency-denominated fixed-rate interest coupon payments arising from an issuance of foreign-currency-denominated fixed-rate debt as an unrecognized firm commitment that may be designated as a hedged item in a foreign currency fair value hedge. The foreign-currency exposure of the future interest payments would not meet Statement 133's definition of an unrecognized firm commitment because the obligation is recognized on the balance sheet-that is, the carrying amount of the foreign-currency-denominated fixed-rate debt incorporates the entity's obligation to make those future interest payments as well as the repayment of principal. However, those fixed-rate interest payments could be designated as the hedged transaction in a cash flow hedge.

The above guidance also applies to dual-currency bonds that provide for repayment of principal in the functional currency and periodic fixed-rate interest payments denominated in a foreign currency. FASB Statement No. 52, *Foreign Currency Translation,* applies to dual-currency bonds and requires the present value of the interest payments denominated in a foreign currency to be remeasured and the transaction gain or loss recognized in earnings. Thus, those fixed-rate interest payments on a dual-currency bond could be designated as the hedged transaction in a cash flow hedge of foreign exchange risk.

The above response has been authored by the FASB staff and represents the staff's views, although the Board has discussed the above response at a public meeting and chosen not to object to dissemination of that response. Official positions of the FASB are determined only after extensive due process and deliberation.